



Business Expansion & Entrepreneurship Development 2.0

Establishment or Increase in Microenterprise Loan Pools

Publication Date: December 1 2011

Proposal Due Date: Wednesday, February 15 2012, by 3:00 PM EST

SUMMARY AND BACKGROUND

PURPOSE FOR THE REQUEST FOR PROPOSALS (“RFP”).

Indiana Housing and Community Development Authority (“IHCD”) requests proposals from not-for-profit entities (“Respondents” or “Agency”) to create or expand lending and technical assistance programs in support of microenterprise across Indiana. The Association for Enterprise Opportunity defines itself as an organization that “supports development of strong and effective microenterprise initiatives to assist underserved entrepreneurs in starting, stabilizing and expanding businesses.” BEED is trying to accomplish the same goals in an Indiana setting. Through the first round of the Business Expansion and Entrepreneurship Development (“BEED”) initiative (discussed further below), IHCD has capitalized or supplemented nine revolving loan pools at Community Action Agencies for microentrepreneurs working to start or expand a business enterprise. In the second round of BEED (“BEED 2.0”), we are seeking to:

- 1) Expand the geographic range of the program;
- 2) Work with both Community Action Agencies and other nonprofit organizations providing loans and other support for microenterprise; and
- 3) Continue to build a strong microenterprise industry in Indiana.

DEFINITIONS.

See the definition sheet attached to this Request for Proposals.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY.

MISSION

IHCD’s mission is for every Hoosier to have the opportunity to live in safe, affordable, good-quality housing in economically stable communities. IHCD believes that growing Indiana’s economy starts at home.

OVERVIEW

IHCD was created in 1978 by the Indiana General Assembly and is a quasi-public financially self-sufficient statewide government agency. IHCD’s programs are successful in large part because of the growing network of partnerships we have established with local, state, and federal governments, for-profit businesses and not-for-profit organizations. For-profit partners include investment banks, mortgage lenders, commercial banks, corporate investment managers and syndicators, apartment developers, investors, homebuilders, and realtors. Not-for-profit partners include community development corporations, community action agencies, and not-for-profit developers. For more information, please visit: <http://www.in.gov/ihcd/>.

**THE BUSINESS EXPANSION AND ENTREPRENEURSHIP DEVELOPMENT
INITIATIVE (“BEED”)**

According to The Association for Enterprise Opportunity (AEO)¹, eighty-six percent (86%) of all businesses in Indiana employ zero to four persons besides the proprietor, and therefore qualify as microenterprises². Microenterprises are thus critical engines for job growth, particularly in a time when large-scale employers are consistently reducing their work force. AEO also reports that the net worth of business owners is roughly 2.5 times that of non-business owners nationwide³. While a start-up business is always a risky venture, with the proper training and support, entrepreneurs are almost 50% more likely to survive longer than other small businesses.

The intent of the Business Expansion & Entrepreneurship Development (BEED) initiative is to foster economic opportunity by:

- 1) Building the capacity of local microenterprise programs to engage in lending as well as program services;
- 2) Capitalizing or supplementing Revolving Loan Funds (RLF) to increase access to credit among entrepreneurs in need of less than \$25,000 in capital; and
- 3) Creating a network of strong microenterprise providers, to allow them to share best practices, address common challenges, and build support for microenterprise more generally.

Accordingly, our desired outcomes for BEED 2.0 are as follows:

1. For low to moderate income households:
 - a. Job creation;
 - b. Asset development;
 - c. Improved net worth;
2. For the microenterprise industry in Indiana:
 - a. Increased leverage for BEED funding, through complementary programs such as the Rural Business Enterprise Grant, or SBA Microenterprise funding.
 - b. Increased availability of microcredit in counties where it is currently unavailable or in short supply;
 - c. Increased availability of microcredit for the state as a whole.

In mid-2010, IHCD committed funding to nine Community Action Agencies in the state to capitalize or supplement revolving loan pools for microenterprise effort, along with a small amount to offset administrative costs (“BEED 1.0”). Currently, BEED 1.0 covers 40 of Indiana’s 92 counties. In addition, eligibility for the program’s initial round was limited to Community Action Agencies as a result of the funding source used by IHCD. Through our experience to date with BEED, we have determined that:

- 1) The demand for microcredit and the capacity to deliver it exists throughout Indiana, not just in the counties currently served by BEED;

¹ http://www.aeoworks.org/pdf/states/Microbusiness_State_Factsheet-IN.pdf

² The US Small Business Administration defines a “microenterprise” as a sole proprietorship, partnership, limited liability corporation or corporation that has fewer than 5 employees, including the owner, and generally lacks access to conventional loans, equity, or other banking services.

³ http://www.aeoworks.org/pdf/states/Microbusiness_State_Factsheet-IN.pdf

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- 2) The range of organizations with either a track record in or capacity for micro-lending and related operations is much broader than the Community Action Agencies to which we were limited due to our initial funding source; and
- 3) IHCD A should not be the only funding source for BEED grantees' revolving loan pools— every eligible BEED grantee should be applying for additional funding from one or more of the following sources - the US Department of Agriculture's Rural Business Enterprise Grant program, the US Small Business Administration/microenterprise, CDBG, Tax Increment Financing, Business Improvement District proceeds, or foundation grants.

Accordingly, IHCD A proposes to competitively allocate a second round of BEED grants, totaling no more than \$500,000 in loan capital and \$50,000 to offset Direct Expenses relating to program delivery for the first year (from the Affordable Housing and Community Development Fund, or "Development Fund"). Applicants will receive up to 10% of their loan award to offset Program Delivery Expenses for the calendar year ending December 31 2012. Through this Request for Proposals, we seek to identify and solicit proposals from qualified nonprofit organizations throughout the state, with a priority on communities not served by BEED 1.0). However, it is our desire to award at least \$100,000 from this RFP to strong BEED 1.0 programs that can benefit from capital for expansion of their program.

We propose to allocate program delivery dollars as grants and loan corpus funds as forgivable loans. Repayment of loan corpus funds may be requested if and only if recipients achieve a One-Time Loan Cycle and fulfill all necessary precedents to forgiveness, including:

- 1) Timely commitment and disbursement of funds available (the awardee must commit and disburse its entire award on or before the end of the contract term);
- 2) Documented track record of establishing appropriate security for loans and making all reasonable efforts to foster timely repayment;
- 3) Documented track record of pursuing collateral and personal guarantees where appropriate in the event of default, as evidenced by quarterly reports and pipeline report as well as loan files.
- 4) Timely and complete submission of all required reports;
- 5) Documented efforts to leverage BEED 2.0 funds with funding from other appropriate sources;
- 6) Documented track record of providing effective Technical Assistance to borrowers and potential borrowers during the contract term;
- 7) Documented systems to conduct both business and credit underwriting;
- 8) Documented efforts to report repayment information on borrowers to applicable credit reporting agencies;
- 9) Membership in the Association for Enterprise Opportunity; and
- 10) Membership in and documented efforts to utilize Credit Builders Alliance's Credit Reporter program;

As with BEED 1.0, to facilitate timely deployment of funds, IHCD A will disburse only 50% of awarded funds at closing, with the balance to be disbursed upon timely commitment and disbursement of the first tranche, along with evidence that at least 75% of the balance available has been disbursed or committed. IHCD A will reserve the right to rebalance the portfolio by re-allocating undisbursed funds to higher performing organizations throughout the award term. The Contract Term will be from April 2012 through December 2013.

SCOPE OF SERVICES

Applicants will commit to provide all services set forth in their business plan, which is to be prepared according to the business plan template included as Attachment Two. In addition, by submitting a proposal, all applicants commit to providing the following:

REPORTING AND MONITORING

1. IHCD shall have the right upon request and reasonable notice to review loan files either on-site at grantee offices or via desk review of documents forwarded to IHCD.
2. Each RLF program must document the following for each loan by county until you have fully disbursed your loan award as loans to eligible borrowers for eligible purposes:
 - a. The original loan amount;
 - b. The use of proceeds for each loan(working capital, operating costs, equipment);
 - c. What specific collateral was taken to secure the loan with proper collateral documentation;
 - d. The number of jobs expected to be created and retained as a result of this loan;
 - e. The actual wage scale for retained jobs and the expected wage scale of the new jobs created;
 - f. Business Classification - is the business a new business or an existing business;
 - g. Document the Industry of the borrower;
 - h. Document the loan terms;
 - i. Amortization schedule;
 - j. Interest rate;
 - k. At the loan closing collect the following from the borrower if applicable:
 - Total annualized payroll;
 - Total annualized revenue; and
 - Total annualized net profit (loss).
 - l. Require that the borrower completes a family income verification. See the attached form labeled Attachment Three that was developed to track the total family income (all income earned or non-earned) for people living in the home that are over 18 years of age. This total family income will be compared to 200%.of the Federal Poverty Guidelines.
3. **Monthly Pipeline Report (Template included as Attachment Four), documenting:**
 - a. The number of loan applications sent out;
 - b. The number of loan applications received;
 - c. The number of borrowers who have applied and their request amounts;
 - d. The number/dollar amount currently in underwriting;
 - e. The number/dollar amount anticipated to close within the next thirty days; and
 - f. The number/dollar amount currently being serviced.
4. **For the Contract term, the RLF should collect the following data on a quarterly basis from your borrower (Template Included as Attachment Five):**
 - a. Total payroll for the quarter;
 - b. The number of jobs actually created for that specific quarter;
 - c. How much interest and principal repayment have been collected on the loan for the quarter;
 - d. If the borrower doesn't qualify as low income (at or below the 200% of poverty test), it will be required that the borrower completes a family income verification on all the people they hire in order to properly document the low income (200% poverty) income levels on jobs created. See the attached form (included Attachment Three) that was developed to track the total family income

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(all income earned or non-earned) for people living in the home that are over 18 years of age. This total family income will be compared to the government stated income at 200% of poverty;

- e. Total revenue for the quarter and year-to-date;
- f. Net profit (loss);
- g. If applicable, progress against savings plan in terms of total amount deposited against total amount projected as reported by borrowers;
- h. Leverage, including:
 - i. Amount leveraged by borrowers, including equity; and
 - ii. Amount leveraged by the awardee, including other funding sources for loans and program delivery expenses and internal resources committed by the awardee.

The quarterly loan fund information requested will be reported for the longer of a two year period or for a successful One Time Loan Cycle – the time period that it takes for the entire balance of the BEED loan capital award to be loaned and repaid once. The loan fund performance reports are due 30 days after the end of the reporting period.

5. Field visits made by IHCD

The IHCD will perform a field visit on an annual basis for the first two years following the grant award. If the grantee is not submitting timely and proper reports or is having operating concerns inside their RLF, field visits may occur more frequently.

6. After the Contract Term, the information listed below will be reported to IHCD on an annual basis:

- a. Total dollars loaned during the year:
 - 1. Number of loans during the year;
 - 2. Use of proceeds (working capital, operating costs, equipment);
 - 3. Repayment statistics:
 - i. How much interest has been collected during the year;
 - ii. How much principal has been repaid during the year; and
 - iii. What is the Loan Receivable balance during the year;
 - 4. Report on the Average loan amount (calculated by the total number of loans/total dollars loaned for any given period);
 - 5. Total dollars in outstanding loans – Loans Receivable balance at the end of the year;
 - 6. Loans in default – not paying as agreed:
 - i. late pays – number of loans that are not making timely payments;
 - ii. Number of loans restructured during the quarter; and
 - iii. Bad debts expense– uncollectable loans that were written off during the year (Total Loan amount at time of default and the original loan amount so that a ratio can be calculated, %/\$ loaned).

RFP SUBMISSION REQUIREMENTS

The application package consists of one (1) original proposal and three (3) copies. THE TERMS AND CONDITIONS CONTAINED IN THE APPLICATION PACKAGE MUST BE SIGNED. The proposals must be RECEIVED at the address below by **3:00 PM, Eastern Standard Time, on Wednesday, February 15 2012**. In addition, a full copy should be e-mailed by the deadline. All proposals received on or before the deadline will be reviewed for selection. All original proposals will be time and date

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stamped by IHCD to evidence timely receipt.

Mail proposals to the following address:

BEED 2.0
Indiana Housing & Community Development Authority
30 S. Meridian Street, Suite 1000
Indianapolis, IN 46204
Attention: BEED 2.0 RFP Response

E-mail proposals to the following address: BEED@ihcda.in.gov

Any questions related to this RFP should be sent via e-mail to BEED@ihcda.in.gov.

RFP SUBMISSION ITEMS

A complete proposal includes the information listed below. Proposals received without all of the items will be considered incomplete, and may be withdrawn from consideration.

1. Name of organization and lead/designated contact, address, phone number, fax number, email address, and brief description of Respondent's business (1-2 pages).
2. Résumés of key personnel to be assigned to this project, highlighting skills, abilities, and knowledge relating to the delivery of the proposed services listed in the "Scope of Services" section (1-3 pages).
3. Business Plan in the form of the template provided by IHCD (no page limit). If you have an existing business plan that you believe addresses all of the items set forth in the template, you may submit that for review by IHCD staff and consultants at least one month prior to the submission deadline. If in our sole discretion we do not believe that your business plan sufficiently addresses all of the items in our template, we will advise you to revise and resubmit by the proposal deadline.
4. Narrative describing the respondent's skills, abilities, and knowledge relating to the delivery of the proposed services listed in the "Scope of Services" section of this RFP (2 pages).
5. The last two most recent audited financial statements for the Applicant, a compilation for the most recently completed fiscal year if an audit is not available, and year-to-date financials (statement of financial position and statement of activities) for the current fiscal year.
6. Executed copy of Term and Conditions (See page 12 of this RFP) (1 page).
7. If Applicant has not completed the Microenterprise Survey developed on behalf of IACED's Microenterprise Affinity Group please do so. You do not need to identify yourself in the survey, but completing the survey is critical. Access the survey at:

<https://www.surveymonkey.com/s/MICROENTERPRISESURVEY>

Request for Proposals: BEED 2.0

EXPECTATIONS AND RESTRICTIONS ON BEED FUNDS

Expectations

1. The primary goals of the BEED initiative are to create jobs, develop assets and improve net worth for Low to Moderate Income Households and increase leverage for BEED funding, expand the availability of microcredit in counties in which it is currently unavailable or in short supply; and increase the availability of microcredit for the state as a whole.
2. Each Grantee must play a substantial role in their RLF. The Grantee may partner with a third party partner for specific services or activities that are needed to form a successful loan fund, however this arrangement will need to be outlined in a written third party contract and made clear in the business plan submitted with proposals.
3. Grantee must take Collateral as security for a loan which can also be supplemented by a co-signor. If the community RLF is advancing the funds for certain equipment or other specific business assets, then the RLF shall take a first security interest in this collateral. The mandatory collateral is an important training component of the program, even if it's not considered a valuable asset to offset the credit risk of the loan.
4. The RLF must either loan to a business owner (either start-up or existing) where the owner qualifies as a low-income individual or must loan to an existing business that will recruit and hire low-income individuals for new jobs created.
5. Grantee must have and follow written loan policies and procedures.
6. Grantee must have a loan committee of at least 3 people to properly decide lending decisions and have written minutes documenting loan decisions.
7. Grantee must use the forgivable loan award only as RLF loan capitalization dollars.
8. Every borrower must have some personal equity at risk in their small business loan, and therefore a minimum of 10% equity must be contributed as part of any loan request. This 10% may include an unencumbered personal or business asset that will serve as collateral for the loan, a savings account, cash investment previously made into the business and if fees are charged and collected by the Grantee, these may be part of the 10% equity requirement. Borrowers may also be required to develop and follow a personal savings plan, with support from the Grantee.
9. Grantee must document the capacity to perform hard and soft credit pulls and to report borrowers' timely payments or delinquent payments/defaults to credit reporting agencies.
10. Grantee may establish a loan loss reserve, based on a clear assessment of the risk of loss presented by each type of loan and/or business supported.
11. Each RLF is required to provide business based training and technical assistance to its borrowers, as well as financial literacy and personal/business budgeting training and technical assistance as warranted. Individuals and small businesses applying for financing may be required to fulfill training and/or planning requirements before a loan application is considered. As warranted, this training must address the personal and community barriers that must be overcome to help low-income individuals become self sufficient.

Restrictions

1. The RLF can't extend loans to refinance existing debt.
2. The RLF cannot make zero interest loans to borrowers.
3. The maximum loan to a start-up business is \$10,000, and \$25,000 for an existing business. Especially with start-up lending, the IHCDCA recommends extending smaller loans to first time borrowers and gradually loaning more to borrowers after some benchmarks and performance have been established.

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4. Members of the loan committee, your organization's Board of Directors, employees, affiliates or employees of affiliates and their immediate family are ineligible for funding.
5. At least 51% of the outstanding interest of the loan applicant must be owned by a US citizen or reside in the United States after being legally admitted for permanent residence.
6. Lending must be to borrowers who are very small – with 5 or fewer employees at the loan date.
7. Real Estate purchases are not allowed, but real estate may be offered as security for a loan.
8. The RLF will use standard loan documents that IHCD A will provide.
9. Each RLF will have the ability to loan no more than 20% of the BEED grant dollars to businesses with the outcome of retaining jobs (as opposed to creating jobs, which is the primary objective of BEED).

CONFIDENTIAL INFORMATION

Respondents are advised that materials contained in proposals are subject to the Access to Public Records Act ("APRA"), IC 5-14-3 et seq., and after the contract is awarded, the entire file may be viewed and copied by any member of the public. Respondents claiming a statutory exception to APRA must place all confidential documents (including the requisite number of copies) in a sealed envelope marked "Confidential." IHCD A reserves the right to make determinations of confidentiality or seek the opinion of the Public Access Counselor.

KEY RFP DATES

ACTIVITY	DATE
Publication date of RFP	Thursday, December 2 2011
Pre-bid Conference	Thursday, December 15 2011
Proposal Due Date	Wednesday, February 15 2012, by 3:00 PM EST
Approval of Proposals	No later than March 31 2012
Contracts executed	No later than May 31 2012, with a contract start date of April 1 2012

SELECTION PROCESS

IHCD A has selected personnel to evaluate proposals. All evaluation personnel will use the Evaluation Criteria described on page 11. We reserve the right to contact the applicant to secure clarification or elaboration of their responses and to adjust scoring appropriately. The opportunity to provide such clarification or elaboration will be offered to all respondents as appropriate.

Request for Proposals: BEED 2.0

1. Threshold Review:
 - a. Reviewers will determine whether each Applicant meets the minimum criteria for review of their application, including:
 - i. Evidence of nonprofit status⁴;
 - ii. Evidence of good standing with the Indiana Secretary of State; and
 - iii. Evidence of financial soundness, as determined by IHCDA in its sole discretion.
 - iv. Submission of all required Proposal components and Attachments.

Proposals that do not meet one or more of these criteria may be eliminated from consideration.
2. Competitive Review: See below. Each proposal will be evaluated on the basis of the categories included in the Evaluation Criteria.
3. Based on the results of this evaluation, the qualifying proposals determined to be the most advantageous to IHCDA may be selected by IHCDA for further action such as contract negotiations. However if IHCDA decides that no proposal is sufficiently advantageous to IHCDA, then IHCDA may take whatever action is deemed necessary to fulfill its needs. If, for any reason, a proposal is selected but it is not possible for IHCDA to consummate a contract with Respondent, IHCDA may begin contract preparation with the next qualified Respondent or determine that no such alternate proposal exists.
4. Respondents will be notified by mail or email of IHCDA's decision.

⁴ Reviewers will confirm the organization's nonprofit status through a search in IRS Publication 78.
Request for Proposals: BEED 2.0

EVALUATION CRITERIA

IHCDA will evaluate proposals on the following rubric (maximum score of 40 points):

CRITERIA	TOTAL POSSIBLE	TOTAL AWARDED	EVALUATOR'S COMMENTS
1. Compliance with all items set forth in the "Requirements for Proposal Response" section	Threshold	N/A	
2. Skills, abilities, and knowledge of <u>key personnel</u> to be assigned to the project relating to the delivery of the products and services set forth in the "Scope of Services" section.	5		
3. Experience of <u>respondent</u> organization relating to the delivery of the services set forth in the "Scope of Services" section or comparable programs, such as Individual Development Accounts or homeownership lending.	5		
4. The organization's track record in terms of: a. Loan volume b. Repayment record c. Training and technical assistance historically offered d. Track record encouraging borrower savings	10		
5. Quality and appropriateness of Respondent's Business Plan, including: a. Actual/projected operating budget is reasonable and appropriate b. Lending terms, criteria and fees c. Comprehensive scope of technical assistance and training plan, and services available to borrowers either through respondent directly or through partnerships d. Fund administration plan e. Portfolio management plan	15 15 15 15 15		
6. Extent of leverage for BEED funds and/or quality of plans to secure additional leverage.	5		
TOTAL POINTS AVAILABLE	100		
Bonus scoring points			
1. Respondent's program includes a mandatory savings requirement for borrowers.	5		
2. Respondent proposes to serve a target area that is not being served through BEED 1.0.	3		
3. Respondent is an Indiana based organization, employing primarily residents of Indiana.	2		

TERMS AND CONDITIONS

This RFP is issued subject to the following terms and conditions:

1. By submitting a response to this RFP, Respondent is confirming that it has completed the BEED Microenterprise Survey at <https://www.surveymonkey.com/s/MICROENTERPRISESURVEY>.
2. This RFP is not an offer and shall under no circumstances be construed as an offer.
3. IHCDCA expressly reserves the right to modify or withdraw this RFP or any part of this RFP at any time, whether before or after any proposals have been submitted or received.
4. IHCDCA reserves the right to reject and not consider any or all of the proposals that do not meet the requirements of this RFP, including but not limited to: incomplete proposals and/or proposals offering alternate or non-requested services.
5. IHCDCA reserves the right to reject any or all proposals, to waive any informality in the RFP process, or to terminate the RFP process at any time, if deemed to be in its best interest.
6. In the event the respondent selected does not enter into the required contract to carry out the purposes described in this RFP, IHCDCA may withdraw the selection and commence negotiations with another party.
7. In no event shall any obligations of any kind be enforceable against IHCDCA unless and until a written contract is execute.
6. Each respondent agrees to bear all costs and expenses of its proposal and there shall be no reimbursement for any costs and expenses relating to the preparation of proposal submitted hereunder or for any costs or expenses incurred during negotiations.
7. By submitting a proposal in response to this RFP, each respondent waives all rights to protest or seek any remedies whatsoever regarding any aspect of this RFP, the selection of a respondent or respondents with whom to negotiate, the rejection of any or all offers to negotiate, or a decision to terminate negotiations.
8. IHCDCA reserves the right not to award a grant pursuant to this RFP.
9. All proposals received will become the property of IHCDCA and will not be returned.

Respondent's Name: _____

Title: _____

Address: _____

Phone: _____ Fax: _____

Signature: _____ Date: _____